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THE WHITE HOUSE PLEASE PASS TO NSC
NSC PASS TO USTR JASON BUNTIN
DOC PASS TO TOM MORITZ

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TAGS: [ECON](#) [EINV](#) [ETRD](#) [AID](#) [YM](#)
SUBJECT: YEMEN READY TO MOVE FORWARD ON WTO ACCESSION

REF: SANAA 01343

Classified By: CDA ANGIE BRYAN FOR REASONS 1.4 (B) AND (D)

11. (C) SUMMARY: The new ROYG Minister of Industry and Trade requests increased USG political and technical support for Yemen's accession to the World Trade Organization (WTO) and renewed bilateral discussions under the US Yemen Trade and Investment Framework Agreement (TIFA). CDA reiterated earlier USG requests for a draft agenda and a list of proposed technical assistance programs. If the Minister, an embassy contact with known ties to ROYG reformers, follows his words with action, Yemeni accession to the WTO could occur sooner rather than later.END SUMMARY.

12. (U) On July 30, Dr. Yahia Yahia Al-Mutawakil, ROYG Minister of Industry and Trade, requested a meeting with Charg d'Affaires Angie Bryan. CommOff and Dr. Hamoud Al-Najar, Director of Yemen's WTO Coordination Office, also attended the meeting.

13. (C) Al-Mutawakil thanked CDA for the USG's continuing support to Yemen in their WTO accession efforts, adding that Yemen is keen to reconvene bilateral negotiations with the USG in September. Al-Mutawakil stated that the ROYG is committed to WTO accession and that they realize that accession will require a great deal of effort and political maneuvering by the Ministry of Industry and Trade (MOIT) and the WTO Coordination Office. He stated that the ROYG is committed to free-market principles and that by his count there are 12-13 pieces of trade-related legislation that need to be revised in order to bring Yemen in line with international standards and attract foreign investors.

14. (C) Al-Mutawakil believes these laws should go forward as a single package of trade legislation. He added that he thinks that all necessary revisions can be completed by the end of the year, ahead of their five-year transition plan. He added that passing the revised legislation will be technically possible, but politically difficult. He stated that resistance is staunch among the elite businessmen with vested interests in the status quo. He specifically mentioned Parliamentary resistance in the Trade and Industry Committee and private sector resistance from the Yemen Federation of Chambers of Commerce.(COMMENT: The Yemen Federation of Chambers is an umbrella organization which claims to represent all Chambers of Commerce in Yemen. The Embassy, however, has found the organization to be obstructionist to both Yemeni and US business interests in Yemen. The organization is controlled by members of the largest trading families in Yemen and appears to represent primarily their interests.END COMMENT). He stated that both

of these groups are populated by wealthy businessmen who may feel that their interests would be threatened by changes in Yemen's commercial law regime, specifically, the abolition of sole agency/distributorships and the revision of Article 28 of the Commercial law which currently requires 51 percent Yemeni ownership of any business operating in Yemen. Despite this resistance, Al-Mutawakil believes that the recent price hikes in Yemen have increased public support for legislation that will foster competition in the market (reftel).

15. (C) Al-Mutawakil stated that the ROYG views WTO accession as an interim step toward their parallel goal of GCC integration. He expressed a desire that the various donor groups in the trade sector harmonize their efforts to avoid confusing, duplicative or contradictory messages. (NOTE: Embassy has since approached the Donor Forum here in Yemen to include in their next Donor Forum meeting a discussion of customs valuation and WTO accession issues and assistance. The Donor Forum agreed and the topics are now on the agenda for the September 2007 meeting. END NOTE). Hamoud Al-Najar asked the CDA for assistance in restarting TIFA negotiations with the USTR and increased technical assistance in the areas of intellectual property rights, customs valuation, sanitary phyto-sanitary measures and technical barriers to trade.

16. (C) CDA told Al-Najar and Al-Mutawakil that the USTR is open to further engagement and willing to provide technical assistance, but reiterated that the USTR is still waiting for a proposed agenda for their next meeting and a specific list of technical assistance needs from the ROYG. (NOTE: In November 2006 USTR and ROYG representatives conducted a DVC on TIFA and WTO related issues during which the ROYG representatives promised to forward to the USTR a list of proposed technical assistance programs for consideration by the USTR. To date, however, the ROYG has not provided such a list. END NOTE) Al-Mutawakil stated that these would be forthcoming. (NOTE: At the time of the meeting, Al-Mutawakil had not yet seen USTR's July 17 letter to him, so CDA passed him a copy. Post is awaiting his response. END NOTE).

COMMENT

17. (C) Post is cautiously optimistic that Minister Al-Mutawakil may achieve forward movement on the TIFA and WTO accession in spite of political and private sector business resistance that has stalled both until now. Al-Mutawakil is new to the Ministry. He received the position during the April 2007 ROYG Cabinet reshuffle. His previous post was that of Deputy Minister to reform-minded embassy friend Abdulkarim Al-Arhabi, the Minister of Planning and International Cooperation (MOPIC). Al-Arhabi has now also assumed duties as Deputy Prime Minister in charge of Economic Affairs. His portfolio includes the MCC Threshold program and GCC integration. As a product of Al-Arhabi's tutelage, Al-Mutawakil may have been placed in the MOIT as a like-minded ally.

18. (C) ROYG reformers and President Saleh realize that Yemen is heading into a perfect storm of opportunity, standing to gain hundreds of millions of dollars from the MCC program and billions of dollars from GCC integration, but only if the country can achieve demonstrable reform. There will be no greater beacon of successful reform than WTO accession and a free trade agreement with the United States. Al-Mutawakil seems charged with the responsibility of getting the trade sector into compliance with international standards and appears ready to take full advantage of USG technical assistance and political support that has thus far been received with lukewarm enthusiasm if not outright suspicion.

19. (C) Trade legislation is drafted under the auspices of the MOIT. If Al-Mutawakil is ready to allow USG assistance in that process it is likely that compliant legislation can move forward aided by Al-Arhabi's guidance through Cabinet approval and Parliamentary debate. Post credits Al-Arhabi, almost single-handedly, with securing cabinet approval and

Parliamentary passage of the new ROYG Procurement law. That law was drafted with USG expert assistance and passed without revision. If the same can be done with trade-related legislation, Yemen's accession to the WTO may come to pass, sooner rather than later. END COMMENT.

BRYAN